

Message Text

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64

ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STRE-00 OMB-01 CEA-01 STR-04 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 /087 W

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 4088

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

CINC EUR VAIHINGEN

CINC USAFE RAMSTEIN

CINC USAREUR HEIDELBERG

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

USMISSION USBERLIN

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DEPARTMENT PASS TREASURY, FRB AND CEA

E.A. 11652: N/A

TAGS: EFIN, GW

SUBJECT: INDUSTRIAL PRODUCTION INDEX SUGGESTS UPTURN
UNDERWAY; NEW ORDERS SUPPORT THIS OPINION

1. THE SEPTEMBER INDUSTRIAL PRODUCTION INDEX ROSE 2

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PERCENT OVER ITS AUGUST LEVEL IN SEASONALLY ADJUSTED

TERMS. THIS DUPLICATES THE GROWTH RECORDED IN THIS INDICATOR IN AUGUST AND WOULD THEREFORE SUGGEST A MEANINGFUL UPTURN MAY HAVE STARTED IN THE FRG, WITH THE LOW POINT HAVING BEEN REACHED IN JULY. THE BUNDESBANK SEASONALLY ADJUSTED INDUSTRIAL PRODUCTION (INCLUDING CONSTRUCTION) INDEX HAS DEVELOPED OVER THE YEAR AS FOLLOWS:

JAN. 104	JUNE 102
FEB. 104	JULY 99
MAR. 104	AUG. 101
APR. 102	SEPT 103
MAY 101	

2. ON A QUARTERLY BASIS, THE THIRD QUARTER INDUSTRIAL PRODUCTION IS NEVERTHELESS LOWER THAN THE SECOND QUARTER BY 0.7 PERCENT AFTER A 2.2 PERCENT DROP IN THE SECOND QUARTER AS COMPARED WITH THE FIRST QUARTER. INDUSTRY ACCOUNTS FOR 53 PERCENT OF TOTAL GNP, SO THIS MAY BE SOME INDICATION OF WHAT THIRD QUARTER GNP DATA WILL REVEAL. WE ARE TOLD THAT THE SERVICES SECTOR IS LOOKING MORE POSITIVE IN SEASONALLY ADJUSTED TERMS THAN THE INDUSTRIAL SECTOR, WHICH COULD MEAN A FLAT THIRD QUARTER FOR OVERALL GNP, OR PERHAPS EVEN A marginally POSITIVE ONE.

3. TOTAL NEW INDUSTRIAL ORDERS IN SEPTEMBER, SEASONALLY ADJUSTED AND IN VOLUME TERMS ARE BRIGHT, WITH THE INDEX SHOWING THE FOLLOWING DEVELOPMENT:

JAN. 103	JUNE 118
FEB. 101	JULY 103
MAY. 99	AUG. 97
APRIL 101	SEPT 108
MAY 97	

4. DOMESTIC AND FOREIGN NEW ORDERS, WHICH CONSTITUTE THE FOREGOING INDEX ARE AS FOLLOWS:

DOMESTIC	FOREIGN
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JAN.	97	122
FEB.	94	125
MAR.	94	114
APR.	97	115
MAY	90	116
JUNE	120	113
JULY	98	116
AUG.	91	122

SEPT. 99 137

5. THERE SEEMS TO BE A CLEARLY ESTABLISHED UPTREND IN FOREIGN ORDERS THAT COMMENCED IN JUNE AND HAS CONTINUED UNABATED EVER SINCE. ON THE DOMESTIC ORDERS SCENE THE HOLE FOLLOWING THE JUNE INVESTMENT BONUS ABBERATION SEEMS TO BE IN THE PROCESS OF BEING OVERCOME. THE SEPTEMBER 9 POINT GAIN OVER THE AUGUST LEVEL WOULD SUPPORT THIS VIEW, EVEN THOUGH THE INDEX LEVEL OF 99 STILL ONLY BARELY APPROACHES THE 100 BASE OF 1970.
HILLENBRAND

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Disposition Reason:
Disposition Remarks:
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Subject: INDUSTRIAL PRODUCTION INDEX SUGGESTS UPTURN UNDERWAY; NEW ORDERS SUPPORT THIS OPINION
TAGS: EFIN, GE
To: STATE
Type: TE
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